

AR47

1971
annual report

BACM INDUSTRIES LIMITED

Strength and skill through product and service integration.

COVER: Work proceeds at forty-four degrees below zero in Leaf Rapids—a new townsite in Northern Manitoba where the company's integrated capacity is demonstrated in planning, land clearing, road and street construction, installation of underground services, sewage treatment and water pumping plants, construction of homes, and site development and foundation construction for the mining facilities nearby.



THE COMPANY

BACM today is a combination of related businesses, operating across Western Canada in building materials, housing and land development, and heavy construction. The beginnings of some of these businesses extend back to the turn of the century, and they have prospered through the years as our population has grown, our cities have expanded, and our natural resources have been developed. The catalyst which combined these enterprises was the business interests of the Simkin family of Winnipeg. These interests were incorporated into British-American Construction & Materials Limited in 1961, and public participation was solicited. From its Manitoba beginnings the company has expanded westward to the Pacific Coast, both through internal growth and through corporate acquisitions. Its name was changed to BACM Industries Limited in 1967 since it had outgrown the apparent definition implied by the earlier name. In 1968, ownership control passed to Genstar Limited, a Canadian public company with widespread holdings. Today, BACM stresses the strength and the skills which arise from the relation and integration of the products and services which it supplies. You are invited to write for the company's Capabilities Brochure.



BACM INDUSTRIES LIMITED

A Subsidiary of Genstar Limited

DIRECTORS

J. LESLIE BODIE
E. JOHN CUYLER
AUGUST A. FRANCK
REGINALD F. JENNINGS
BERNARD T. JOHNSON
DUNCAN R. B. McARTHUR
ANGUS A. MacNAUGHTON
BEVERLEY A. MONKMAN
ABRAHAM L. SIMKIN
ISRAEL SIMKIN
SAUL SIMKIN

OFFICERS and CORPORATE COMMITTEE

S. SIMKIN	—Chairman of the Board & President
A. L. SIMKIN	—Vice-Chairman, Executive Vice-President & General Counsel
B. A. MONKMAN	—Senior Vice-President, Supply Operations
I. SIMKIN	—Senior Vice-President, Construction Operations
J. L. BODIE	—Vice-President
T. R. DENTON	—Vice-President, Administration & Secretary
K. C. KINSLEY	—Vice-President, Finance & Treasurer
I. SPECTOR	—Vice-President, Engineering & Technical Services
A. W. FALK	—President, Con-Force Limited
E. M. GUSTAFSON	—President, Keith Construction Co. Ltd.
V. S. G. LEWIS	—President, B.A.C.M. Development Corporation Limited
R. A. ORR	—President, Engineered Homes Limited
A. J. SMITH	—President, Truroc Gypsum Products

CORPORATE OFFICE

1500 Plessis Road
Winnipeg, Manitoba, Canada R2C 2Z6

TRANSFER AGENTS & REGISTRARS

MONTREAL TRUST COMPANY

Calgary, Alta., Winnipeg, Man., Toronto, Ont.

THE BANK OF NEW YORK, New York, N.Y.



CHAIRMAN'S MESSAGE

The past year was a very significant one for our company. Although we achieved the best financial results in our history, the real significance of 1971 is reflected in the substantial fulfillment of our past objectives for corporate expansion in Western Canada. It has been our intention to develop the capacity of our various businesses to serve our customers in the major markets of this region, to provide the integrated strength in terms of capability, financial resources, good equipment, conscientious staff and sound management, that requires the development of our related businesses in all areas.

The major 1971 elements in the realization of our growth objectives were: acquisition of Keith Construction Company Limited, Kelwood Corporation, Borger Construction Co. Ltd., Edmonton Concrete Block Co. Ltd., and Calgary Pipe Plant Ltd.; expansion of our land acreage to provide excellent inventory positions in Calgary, Edmonton and Winnipeg and a satisfactory start toward inventory build-up in Vancouver; to strengthen the marketing potential of our house building operations, the establishment of four regional offices in Vancouver, Calgary, Edmonton and Winnipeg; and the attainment of the supervision and direction of the management of Ocean Construction Supplies Limited of British Columbia. Our operations as now constituted are described in more detail later in this report.

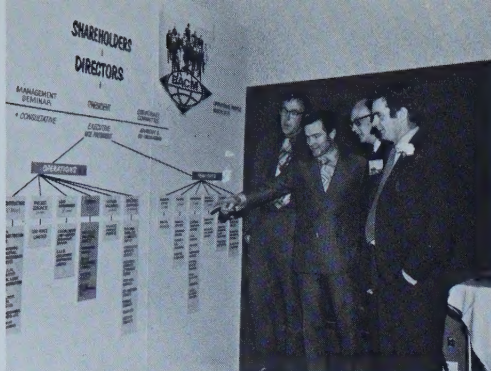
Total operating revenue in 1971 reached \$150 million; this does not include inter-divisional sales of \$19 million which have been eliminated to produce a net figure. Net income was \$6.7 million after deduction of substantial amounts for depreciation and depletion (\$6.5 million) and for income taxes (\$7.3 million). I direct your attention to the detailed financial statements in the following pages and to the Ten Year Financial Summary appearing at the end of this annual report which profiles the growth of our company through the period.

We continue to be committed to the concept of decentralized management, of operating units with the maximum degree of operating autonomy as the best means of providing good service to our customers and obtaining optimum financial results, while at the same time ensuring that there will be satisfying employment for our personnel and willing co-operation among our operating units where joint effort is required.

While we express satisfaction with our achievements, and while I compliment and thank our employees for their individual contributions to these achievements, we continue to expect that our business interests will mature and expand as we participate in the development of Western Canada with its great potential. It should not be assumed that because we have realized previously established goals for corporate expansion in this region, that this will prevent us from setting new goals, from pursuing new opportunities which may develop in this or other regions. We have 6,000 employees with personal capabilities ranging from practical imagination to a great variety of polished skills, and I look forward to a promising future for our company.

Respectfully submitted,

S. SIMKIN, Chairman,
Winnipeg, Canada



PRODUCTS, SERVICES and OPERATIONS MANAGEMENT



CONCRETE BUILDING MATERIALS

Building Products and Provincial Concrete

Consolidated Concrete
Construction Aggregates
Edcon Block
Metro Concrete
Ocean Construction Supplies
Portage Concrete
Redi-Mix
Tallcrete
Western Concrete

B. A. MONKMAN
Chairman & Managing Director
G. K. CRUIKSHANK
Vice-President, Finance

Pacific Region **Ocean Construction Supplies**

B. A. MONKMAN
President
N. D. MacRITCHIE
Executive Vice-President
E. J. McCANCE
Vice-President
R. A. FRAMPTON
Secretary-Treasurer
L. J. CAMPBELL
Controller
J. T. ARNOLD
Manager, Concrete Products, Vancouver
F. BAKER
Manager, Prince George
T. A. BETHUNE
Manager, Construction Aggregates
P. H. GARDNER
Manager, Metro Concrete
J. H. GILLEY
Manager, Marine Division
L. J. GLASSFORD
Manager, Vancouver Island
W. C. GREEN
Manager, Kitimat
G. K. MACRAE
Manager, Kamloops
R. MILLER
Manager, Ready Mix, Vancouver

Western Region

J. L. HOLMAN
General Manager

Consolidated Concrete

J. L. HOLMAN
President & General Manager
K. G. EVANS
Vice-President & General Manager, Northern Alberta

H. BANKS
President, Edcon Block

R. N. BOWER
Manager, Lethbridge

D. A. FARQUHARSON
Manager, Grande Prairie

T. B. TODD
Manager, Red Deer

H. T. WELCH
Manager, Calgary

Redi-Mix

H. F. WARD
President & General Manager

W. J. BABEY
Manager, Regina

B. R. MURPHY
Manager, Saskatoon

G. MURRAY
Manager, Moose Jaw

Building Products & Provincial Concrete

E. ROSENBLAT
President & General Manager

C. GOLLETZ
Manager, Brandon

F. D. O'REILLY
Manager, Portage la Prairie

CONSTRUCTION OPERATIONS

B.A.C.M. Limited

B.A.C.M. Mine Developers

B-A Construction

Borger Construction

Mulder Bros.

Northern Gravel Products

Standard-General Construction

I. SIMKIN
President & General Manager

J. J. DENHOLM
Vice-President, Finance

G. R. THOMPSON
Vice-President

A. J. BERG
Manager, Edmonton

R. J. BOON
Manager, Calgary

C. L. GOLDIN
Manager, Vancouver

R. HANDLER
Manager, Winnipeg

D. G. MULDER
President, Mulder Bros.

W. J. SMITH
Manager, Saskatchewan

W. T. THOMSON
President, Northern Gravel

K. WILSON
Manager, Borger Construction

D. R. PENNER
Manager, Administration

M. BABICH
Manager, Heavy Construction

E. G. BRUNSDON
Manager, Heavy Construction

H. B. McLENAGHAN
Manager, Heavy Construction

R. F. MORRIS
Manager, Heavy Construction

W. K. WINTERGILL
Manager, Heavy Construction

GYPSUM PRODUCTS

Truroc Gypsum Products

A. J. SMITH
President & General Manager

A. J. McLELLAN
Comptroller

J. B. HAWKING
Sales Manager

B. A. KORUN
Manager, Saskatoon

I. R. TIEDE
Manager, Edmonton

HOUSING

Engineered Homes

R. A. ORR
President & General Manager

J. E. WHITAKER
Vice-President, Finance

J. D. CRAMER
*Vice-President & Manager,
Northern Region*

J. V. HAYWARD
*Vice-President & Manager
Pacific Region*

G. L. MAGNUSSEN
*Vice-President & Manager,
Central Region*

C. D. WILSON
*Vice-President & Manager
Southern Region*

Keith Construction

E. M. GUSTAFSON
President & General Manager

L. H. FRODSHAM
Executive Vice-President

R. J. KIMOFF
Vice-President, Land Development

L. LUINI
Vice-President, Construction

B. C. EELES
Treasurer

LAND DEVELOPMENT

B.A.C.M. Development

V. S. G. LEWIS
President & General Manager

A. G. EMMOTT
Manager of Finance

N. F. BOTHWELL
Vice-President, Manager, Alberta

E. B. BODIE
Manager, Winnipeg Region

V. J. PARKER
Manager, Vancouver Region

PRECAST CONCRETE PRODUCTS

Con-Force

A. W. FALK
President & General Manager

G. ADAM
Vice-President, Marketing & Engineering

T. J. BARTKIEWICZ
Vice-President, Operations

F. T. McALEER
Vice-President, Finance

H. NASH
Vice-President, Construction

E. J. OTTEWELL
Manager, Calgary

J. S. INK
Manager, Edmonton

P. LYSAK
Manager, Regina

J. BOGDONOV
Manager, Saskatoon

D. LUNDER
Manager, Winnipeg



Top to bottom

Chateau West Apartments, Winnipeg—an example of precast concrete systems construction by the Con-Force division.

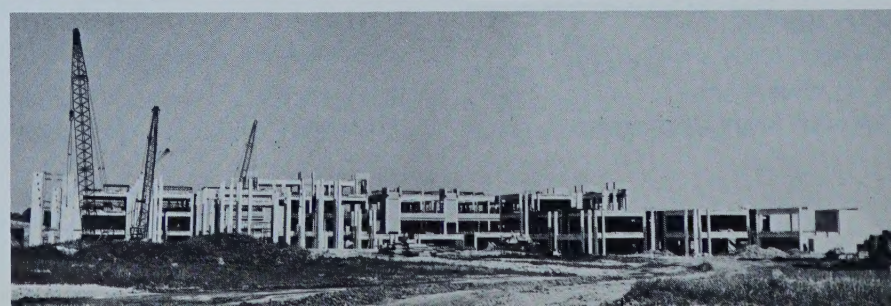
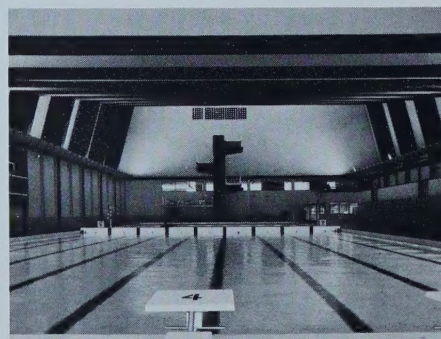
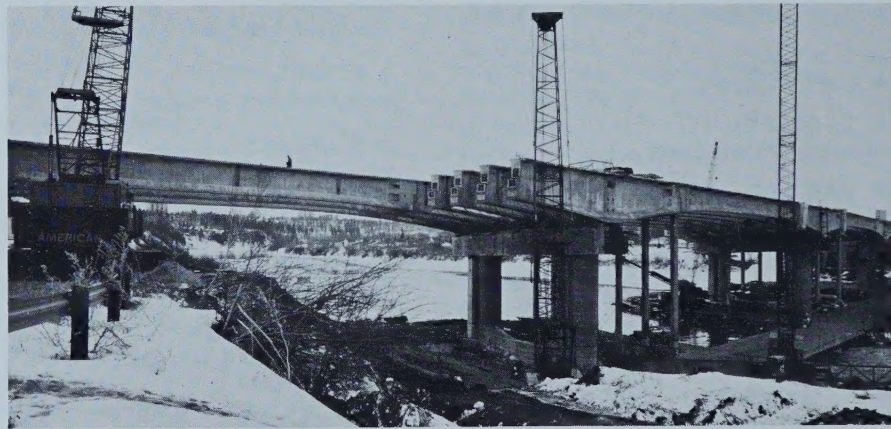
Edmonton skyline with James MacDonald Bridge in foreground. Many high-rise structures in Edmonton contain the company's products.

The 1,100-foot-long James MacDonald Bridge employs Con-Force precast girders up to 150 feet in length. Spans of 250 feet were accomplished using the cantilever principle.

Left—Olympic-size swimming pool is framed by precast concrete units, while precast slabs form the roof and hollow core panels form the walls.

Right—detail view of Alberta Government Telephones building shows use of architectural precast items.

Mount Royal College under construction in Calgary employs precast components extensively.



REVIEW OF OPERATIONS

Operations during 1971 showed a satisfying recovery from the relatively depressed levels of 1970, as the company tended to mirror the economic climate of Western Canada. The favourable conditions of 1969 were still not however, present with any consistency, and the company continued to have potential for greater activity with existing capacity. In the major classifications of building materials, heavy construction, and land development and housing, the company achieved an acceptable business balance with approximately one-third of sales being generated in each category. Profit margins were not uniform, however, and although some city servicing divisions obtained commendable results, heavy construction profits were small, reflecting a less-than-satisfactory quantity of available work, which gives rise to lower margins and increased competition.

City servicing operations were strengthened by acquisition of the Borger Construction operations in Calgary and Edmonton; our divisions are now able to handle all normal aspects of municipal utility servicing in the major urban centres of Western Canada. Elsewhere, large mining construction operations continued, in the Northwest Territories work was begun on a portion of the Dempster Highway between Arctic Red River and Fort McPherson, and at Leaf Rapids, Manitoba, a project described and depicted elsewhere in this report, the company demonstrated its unique capacity to provide a total developmental service for resource development projects and the infrastructure which sustains them.



Top to bottom

Left—award-winning 1971 Keith Home.

Right—show homes lighted at Christmas.

Left—several hundred Engineered Homes complete subdivision at Fort McMurray, northern Alberta.

Right—award-winning 1971 Engineered Home.

Calgary's Lake Bonavista subdivision features a man-made lake. The company's Kelwood Corporation, Keith Construction, Borger Construction and Standard-General Construction co-operated in this development.

Trees from the company's tree farm near Calgary are transported to a subdivision.

Family recreation facilities are a feature of life at Lake Bonavista.

Several views show products of the Sungold cabinet plant and production facilities for their assembly.



REVIEW OF OPERATIONS

Demand for housing was strong, and the company sold nearly 2,400 "Engineered Homes" and "Keith Homes" (its two trade names). It is the nature of the business that most homes are built for speculative sale, and very few are pre-sold. Inventory is therefore important, and at the commencement of 1972 management was of the opinion that inventory levels were being maintained within close tolerances. The Engineered Homes operation which has grown substantially, was restructured into four semi-autonomous regions in line with the company's operating philosophy, and in order to be able to respond quickly and creatively to regional opportunities. The Keith Homes operation was acquired during 1971; it is a builder of homes of outstanding quality in Calgary, and with its land development arm, Kelwood Corporation, and its electrical, heating, plumbing and cabinet manufacturing components, it is a worthy addition to the company's housing capability.

Land development operations have undergone a period of organizational and inventory build-up. Well-staffed divisional offices in Winnipeg, Edmonton, Calgary and Vancouver now have inventories of land in areas on the periphery of these cities exceeding 11,000 acres, with nearly 5000 additional optioned acres. At the commencement of 1972 approximately 850 acres were being developed, representing the serviced land requirements for approximately 5,000 single and multiple family housing units. This is a continuing process with additional lands being serviced by the company's own forces as demand continues. The Company uses about 25 per cent of developed lands for its own housing operations, while the balance is sold to other builders in order to achieve a variety in development, and to accomplish the rapid recovery of investment necessary to keep lot prices to popular levels.

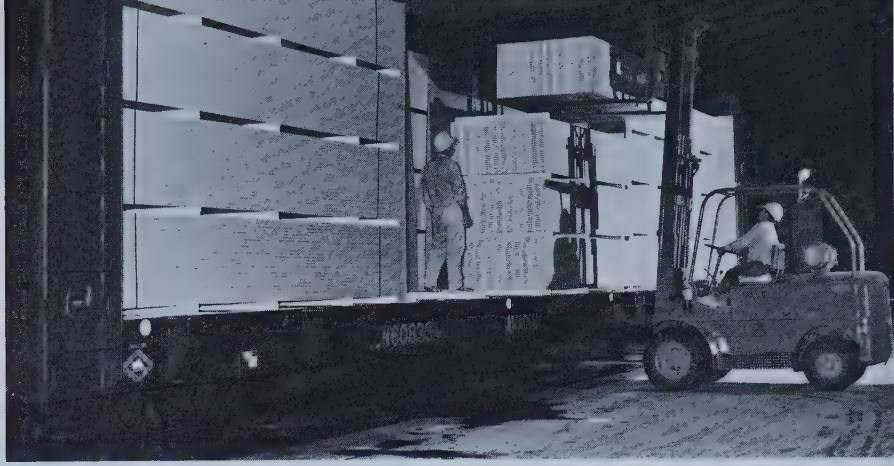


Top to bottom

Gypsum wallboard is loaded at the Truroc plant in Saskatoon, one of two such manufacturing facilities.

Handling Truroc board at the company's Building Products division in Winnipeg, a major distributor of the product.

Applying Truroc board in Winnipeg, in an Engineered Home, shown under construction.



REVIEW OF OPERATIONS

As recognition of the potential in the use of precast concrete items increases, demand is strong for the company's products, but again related to the general level of economic activity. While special design items continue to form the greater part of the orders of this Con-Force division, the company is promoting the use of standardized units in order that owner and builder may profit from the unique possibilities these provide. The company has developed "systems building" techniques which were employed successfully in apartment construction during 1971 and are expected to be employed on a wider scale in 1972.

Sales of Truroc gypsum wallboard rose substantially in 1971, reflecting the larger manufacturing and servicing capacity available with the full year operation of the new Edmonton facility. While public acceptance is complete, strong regional competition and importation of U.S. board kept prices at depressed levels despite rising labour costs and increasing freight rates.



Top to bottom

Winnipeg's Northstar Inn required 17,000 cubic yards of ready-mix concrete.

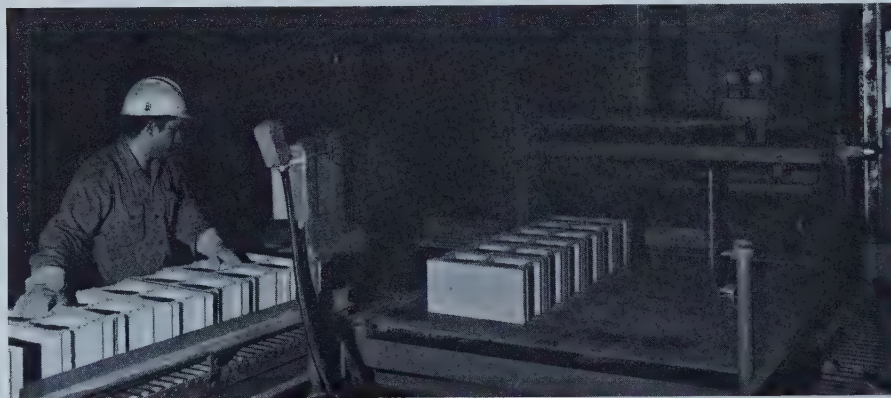
Concrete block manufacturing.

Left—part of the Edcon Block facilities acquired in Edmonton.

Right—stock piling aggregates for the company's own use. The company produces its own aggregates from large reserves.

Left—portion of the Dempster Highway under construction in the Northwest Territories.

Right—loading a hopper.

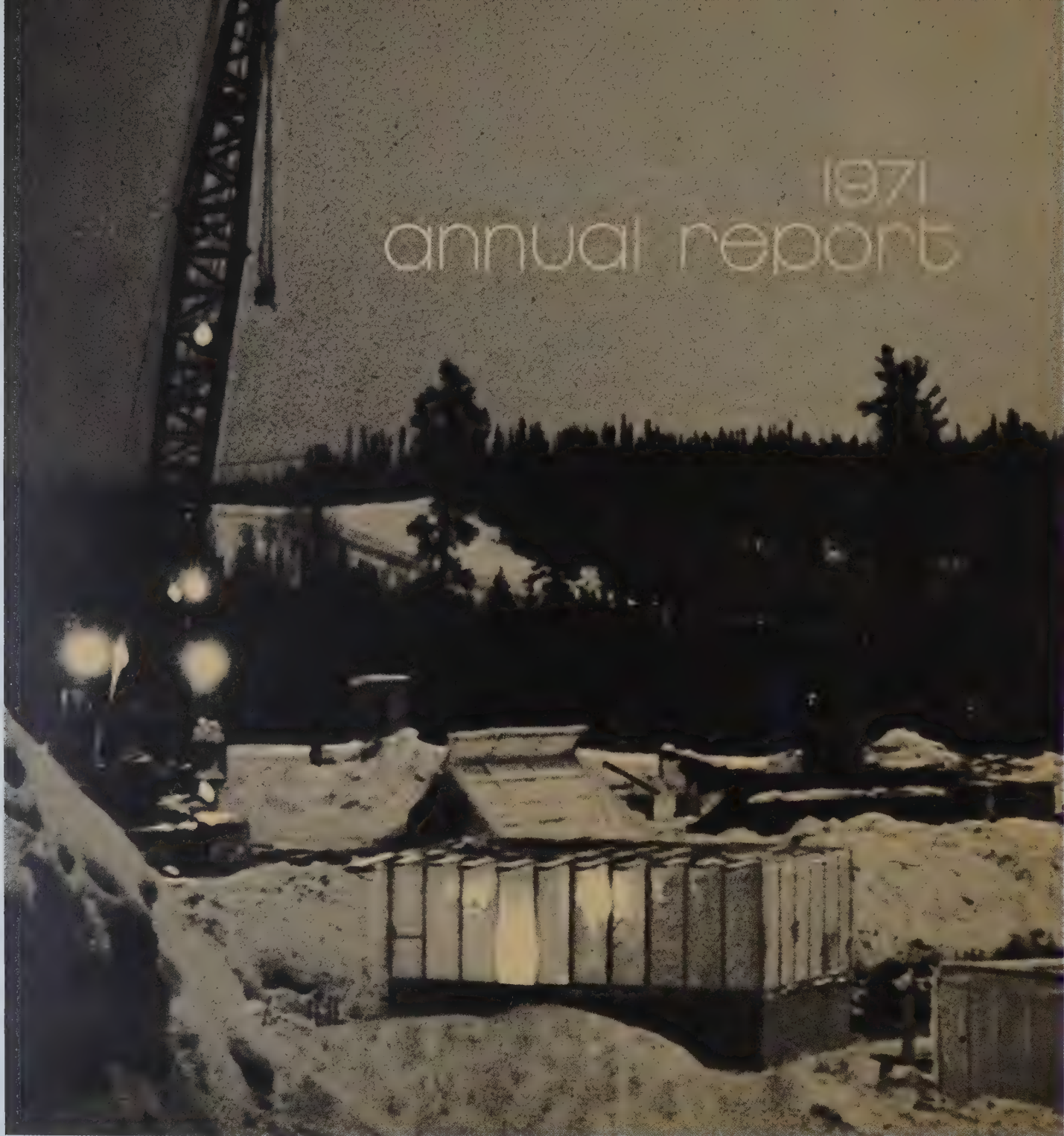


REVIEW OF OPERATIONS

Sales of concrete building supplies increased strongly in 1971, due to several factors, including an improved demand, especially in Alberta, to the acquisition of Edcon Block in the late Spring, and to reflection of the full year's operation of the former Rex Underwood business, acquired in Edmonton in mid-1970. Alberta manufacturing facilities have been improved through the Edcon acquisition which provided excellent block and lightweight aggregate facilities in Edmonton, through acquisition of Calgary Pipe Plant Ltd. which provided a new facility in that city where demand for concrete pipe for municipal servicing is particularly strong, and through rationalization and renewal of facilities in Grande Prairie.

The business volume in Edmonton, Calgary and Winnipeg dominated the 1971 sales of concrete building supplies, but sales in the several smaller centres in which the company operates were nevertheless a significant part of the total. While Saskatchewan markets remained weak, particularly in Saskatoon, sales in the other smaller centres across the Prairies were at levels varying from acceptable to excellent. Since the commencement of 1972 the company has assumed responsibility for the supervision and direction of Ocean Construction Supplies Limited and of Metro Concrete Ltd., both of British Columbia, dealing in concrete building materials in the metropolitan area of Vancouver and in several smaller centres throughout the province.

1971 annual report



FINANCIAL REVIEW, 1971

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STATEMENT OF CONSOLIDATED INCOME

BACM INDUSTRIES LIMITED and SUBSIDIARIES

	Year Ended December 31	
	1971	1970
INCOME		
Net Sales	\$149,106,600	\$ 99,669,100
Other	821,800	1,387,800
	<u>149,928,400</u>	<u>101,056,900</u>
COSTS and EXPENSES		
Cost of sales excluding depletion and depreciation set forth below	113,571,700	74,112,900
Selling, administrative and general	12,856,100	11,005,100
Depletion and depreciation	6,478,500	5,362,300
Interest:		
Long-term debt	1,569,000	1,098,500
Amortization of discount and expense on long-term debt	11,400	12,700
Other	1,436,000	2,294,200
Provision for dividends on preferred shares of subsidiary	34,000	38,500
	<u>135,956,700</u>	<u>93,924,200</u>
INCOME BEFORE INCOME TAXES	<u>13,971,700</u>	<u>7,132,700</u>
INCOME TAXES		
Current	6,706,300	2,368,900
Deferred	554,200	1,234,200
	<u>7,260,500</u>	<u>3,603,100</u>
NET INCOME	<u>\$ 6,711,200</u>	<u>\$ 3,529,600</u>
NET INCOME PER SHARE:		
Based on average number of shares outstanding during year	<u>\$3.38</u>	<u>\$1.87</u>

See accompanying notes which are part of the financial statement.



CONSOLIDATED BALANCE SHEET

BACM INDUSTRIES LIMITED and SUBSIDIARIES

	December 31	
	1971	1970
ASSETS		
CURRENT ASSETS		
Cash	\$ 897,200	\$ 917,000
Trade receivables less allowances, 1971—\$721,400; 1970—\$584,500	36,116,600	25,808,000
Other accounts receivable	1,026,100	1,977,000
Inventories	46,309,600	36,103,100
Prepaid expenses	442,000	540,700
TOTAL CURRENT ASSETS	84,791,500	65,345,800
OTHER ASSETS	6,718,800	7,628,300
PROPERTIES, PLANT and EQUIPMENT		
On the basis of cost	90,825,100	78,274,800
Less allowances for depletion and depreciation	44,135,600	36,170,600
	46,689,500	42,104,200
INTANGIBLE ASSET		
Goodwill at cost, less \$53,000 amortized	6,735,100	3,876,700
	<u>\$144,934,900</u>	<u>\$118,955,000</u>

See accompanying notes which are part of the financial statement.

	December 31	
	1971	1970
LIABILITIES and SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bank advances	\$ 29,986,400	\$ 23,555,400
Accounts payable	14,102,300	15,240,700
Accrued expenses	3,328,400	2,671,100
Income taxes	8,043,600	3,414,100
Mortgages and agreements on inventory of land held for development and sale	9,016,200	5,023,000
Installments of long-term debt	3,906,900	3,353,400
TOTAL CURRENT LIABILITIES	68,383,800	53,257,700
LONG-TERM DEBT	26,829,000	21,093,000
DEFERRED INCOME TAXES	9,213,200	7,834,800
SHAREHOLDERS' EQUITY		
Capital stock	9,943,600	9,443,600
Contributed surplus	11,835,900	10,335,900
Retained earnings	18,729,400	16,990,000
	<u>40,508,900</u>	<u>36,769,500</u>
	<u>\$144,934,900</u>	<u>\$118,955,000</u>

APPROVED ON BEHALF OF THE BOARD:

S. SIMKIN, Director

J. L. BODIE, Director



STATEMENT OF SHAREHOLDERS' CONSOLIDATED EQUITY

BACM INDUSTRIES LIMITED and SUBSIDIARIES

	Year ended December 31	
	1971	1970
CAPITAL STOCK		
Authorized 4,000,000 shares, \$5 par value		
Outstanding at beginning of year:		
1971—1,888,727 shares; 1970—1,828,727 shares	\$ 9,443,600	\$ 9,143,600
Add:		
Conversion of debentures—100,00 shares	500,000	-0-
Cash subscriptions—60,000 shares	-0-	300,000
Outstanding at end of year:		
1971—1,988,727 shares; 1970—1,888,727 shares	9,943,600	9,443,600
CONTRIBUTED SURPLUS		
Balance at beginning of year	10,335,900	8,835,900
Add:		
Consideration received for shares issued less amount attributed to capital:		
Conversion of debentures	1,500,000	-0-
Cash subscriptions	-0-	1,500,000
Balance at end of year	11,835,900	10,335,900
RETAINED EARNINGS		
Balance at beginning of year	16,990,000	15,821,300
Add net income for the year	6,711,200	3,529,600
	23,701,200	19,350,900
Deduct cash dividend paid,		
1971—\$2.50 per share; 1970—\$1.25 per share	4,971,800	2,360,900
Balance at end of year	18,729,400	16,990,000
TOTAL EQUITY AT END OF YEAR	\$40,508,900	\$36,769,500

See accompanying notes which are part of the financial statement.



STATEMENT OF CONSOLIDATED CHANGES IN FINANCIAL POSITION

BACM INDUSTRIES LIMITED and SUBSIDIARIES

	Year ended December 31	
	1971	1970
FUNDS PROVIDED		
Income from operations	\$ 6,711,200	\$ 3,529,600
Charges to income not requiring outlay of working capital:		
Depreciation and depletion	6,478,500	5,362,300
Amortization of intangible assets	64,400	12,700
Deferred income taxes	554,200	1,234,200
Proceeds from disposal of property, plant and equipment, less gains included in income	673,800	4,330,600
Sales of investments	1,837,400	270,600
Sales of other assets	2,119,800	177,400
Issuance of long-term debt	10,037,100	7,351,000
Issuance of common shares	2,000,000	1,800,000
	<u>30,476,400</u>	<u>24,068,400</u>
FUNDS USED		
Purchases of consolidated subsidiaries:		
Working capital (deficit)	5,217,100	(850,400)
Investments and other assets	899,000	73,200
Property, plant and equipment	5,685,700	1,730,600
Goodwill	2,911,400	1,287,100
Long-term debt assumed	(3,415,800)	(382,700)
Deferred income taxes	(824,200)	(214,600)
	<u>PURCHASE PRICE</u>	<u>10,473,200</u>
Less working capital (deficit) acquired	5,217,100	(850,400)
	<u>5,256,100</u>	<u>2,493,600</u>
Additions to properties, plant and equipment	6,051,900	14,031,300
Purchases of revenue properties and other investments, less mortgages assumed	1,794,100	1,184,500
Purchases of other assets	377,800	2,044,700
Reduction in long-term debt	7,705,100	4,115,200
Dividend paid	4,971,800	2,360,900
	<u>26,156,800</u>	<u>26,230,200</u>
	<u>4,319,600</u>	<u>(2,161,800)</u>
NET INCREASE (DECREASE)		
Net current assets at beginning of year	12,088,100	14,249,900
NET CURRENT ASSETS AT END OF YEAR	<u>\$16,407,700</u>	<u>\$12,088,100</u>

See accompanying notes which are part of the financial statement.



NOTES TO CONSOLIDATED FINANCIAL STATEMENT

BACM INDUSTRIES LIMITED and SUBSIDIARIES

December 31, 1971

NOTE A—PRINCIPLES OF CONSOLIDATION

The consolidated financial statement includes the assets, liabilities, income and expenses of BACM Industries Limited and all its subsidiaries. Inter-company investments, accounts and transactions have been eliminated. Operations of subsidiaries acquired during the year have been included from the dates of acquisition, see Note B.

NOTE B—ACQUISITION OF SUBSIDIARIES

All the outstanding shares of capital stock were purchased during the year for an aggregate consideration of \$10,473,200 as follows:

	<u>Dates of Acquisition</u>	<u>Consideration</u>
Edmonton Concrete Block Co. Ltd.	April 1, 1971	\$1,840,000
Borger Construction Limited	April 1, 1971	2,200,000
Sun Gold Invest- ments Ltd.	May 1, 1971	5,832,000
Other		601,200
		<u>10,473,200</u>
Investment in shares of a subsidiary of Sun Gold Investments Ltd. purchased for cash in 1968		20,000
		<u>\$10,493,200</u>

All of the purchase price was paid in cash except for an amount of \$330,000 payable in two equal installments in 1972 and 1973 without interest. The purchase price exceeded the net assets of the subsidiaries acquired by \$3,239,700, which on consolidation has been accounted for as follows:

Net assets of subsidiaries acquired		\$ 7,253,500
Excess purchase price at- tributed to:		
Land	\$ 328,300	
Attributed to goodwill on consolidation	<u>2,911,400</u>	<u>3,239,700</u>
		<u>\$10,493,200</u>

The excess purchase cost attributed to goodwill during the year, is to be amortized over a period of forty years commencing in 1971. The amount attributed to goodwill on consolidation in prior years is not amortized. If there is a substantial diminution of the value of subsidiaries, the related amounts of goodwill will be written off.

The results of operations on a pro-forma basis, had all the subsidiaries, acquired during the two year period, been purchased at January 1, 1970, would have been as follows:

	<u>1971</u>	<u>1970</u>
Income	<u>\$154,999,000</u>	<u>\$127,799,000</u>
Net Income	<u>\$ 6,974,000</u>	<u>\$ 4,832,600</u>
Net Income per share ..	<u>\$ 3.51</u>	<u>\$ 2.56</u>

NOTE C—ASSETS SUBJECT TO LIEN

General assignments of book debts and pledges of inventories and certain lands held for development and sale have been given as collateral for bank loans. In addition, bank advances of the parent company and certain subsidiaries are secured by floating charges on certain assets. Other lands held for development and sale are subject to mortgages, included in current liabilities, or are pledged as partial security for the 6¼% Note Payable—see Note H. Certain revenue properties included in other assets and certain items of property, plant and equipment are subject to mortgages or title-retention provisions of equipment-purchase contracts.

The assets of the company and its subsidiaries are subject to floating charges included in the agreements relating to the 6% Sinking Fund Debentures and the 6¼% Note Payable and agreements relating to other bonds and debentures included in long-term debt.

NOTE D—INVENTORIES

Inventories were priced at the lower cost or net realizable value, as follows:

	1971	1970
Finished goods	\$ 2,539,900	\$ 2,495,400
Construction contracts and work in process	8,939,500	7,654,700
Raw materials, supplies and repair parts	5,890,400	4,121,400
Land held for development and sale	28,939,800	21,831,600
	<u>\$46,309,600</u>	<u>\$36,103,100</u>

Effective January 1, 1971, the company adopted the policy of adding related interest and property taxes to the value of unimproved land in inventory. The amount added to inventory at December 31, 1971, was \$522,600 with a resulting increase of \$250,600 in net income for the year.

NOTE E—OTHER ASSETS

Government bonds—at cost—approximate market — 1971 \$7,000; 1970 \$951,200	\$ 7,000	\$1,161,500
Equity in revenue properties less depreciation — 1971 \$662,200; 1970 \$98,600	3,550,300	1,805,800
Investments in and advances to affiliates	1,212,900	1,802,100
Notes	570,600	2,187,100
Mortgages	451,200	789,100
Unamortized discount and expense on long-term debt	123,600	146,800
Deferred accounts receivable and deposits	1,111,800	282,400
	<u>7,027,400</u>	<u>8,174,800</u>
Less amounts included in accounts currently receivable	308,600	546,500
	<u>\$6,718,800</u>	<u>\$7,628,300</u>

NOTE F—PROPERTIES, PLANT and EQUIPMENT

	1971	1970
Land	\$ 3,244,400	\$ 2,283,300
Buildings	12,668,700	10,652,600
Machinery and equipment	69,042,300	60,170,400
Gravel deposits	4,666,900	4,400,900
Spur tracks and yard improvements	1,202,800	767,600
	<u>\$90,825,100</u>	<u>\$78,274,800</u>

Allowances for depreciation of buildings, machinery and equipment are based on the straight-line method at rates calculated to amortize the cost over the estimated useful lives of the assets: buildings—2½% to 6½%; machinery and equipment—6½% to 25%; spur tracks and yard improvements—2%.

Depletion of gravel deposits is computed on the basis of yards of material removed in relation to total estimated content.

NOTE G—INCOME TAXES

The laws of Canada and its Provinces do not recognize consolidated income as a basis for taxation and the provision stated represents the aggregate of income taxes provided by each of the companies in the consolidation. In general, such provisions are based on reported income but distinction has been made between income taxes currently payable and deferred income taxes.

The former includes taxes on income declared and taxes in the amount of \$2,895,800 related to contract holdbacks currently receivable. Such taxes become payable as the holdbacks are received.

The deferred income taxes are attributable to the difference between allowances claimed for tax purposes and depreciation provided in the accounts.



NOTE H—LONG-TERM DEBT	1971		1970
	Current Maturities	Principal	Principal
6% Sinking Fund Debentures due August 1, 1981: Payments of \$100,000 U.S., increasing to \$225,000 U.S. dependant on consolidated earnings, are due annually on March 31st. Outstanding \$1,405,000 U.S. less \$71,500 U.S. on hand	\$ 159,500	\$ 1,373,600	\$ 1,559,600
6¼ % Note due March 1, 1979: Mandatory payments of \$300,000 U.S. and supplemental repayments based on sales of land held for development and sale are due annually on March 1st. Outstanding \$1,626,700 U.S.	500,000	1,793,200	2,299,200
6½ % Mortgage repayable in semi-annual installments to 1984	70,900	2,861,100	2,997,700
Mortgage and Debenture Bonds repayable in annual installments with interest from 6% to 7%	554,500	4,420,300	6,007,100
Notes repayable in annual installments:			
with interest from 5% to 8¼ %	1,435,500	9,961,200	3,592,400
without interest	719,200	2,114,300	2,229,800
Equipment finance contracts repayable in installments with varying interest rates	247,100	421,800	125,000
	3,686,700	22,945,500	18,810,800
Advances from Genstar Development Limited repayable at various dates beyond one year with interest at 6%	-0-	7,350,000	4,975,000
Undertaking given to minority interest for annual redemptions of preferred shares of Consolidated Concrete Limited	220,200	440,400	660,600
	<u>\$ 3,906,900</u>	<u>\$30,735,900</u>	<u>\$24,446,400</u>
Less amounts included in current liabilities		3,906,900	3,353,400
		<u>\$26,829,000</u>	<u>\$21,093,000</u>

The Indenture and First Supplemental Indenture dated August 1, 1961 relating to the 6% Sinking Fund Debentures require maintenance of consolidated net current assets in excess of \$750,000 and restrict the payment of cash dividends. The agreement relating to the 6¼ % Note Payable requires maintenance of consolidated net current assets in excess of \$5,500,000, restricts repurchases of the 6% Sinking Fund Debentures exceeding those required under that indenture and restricts payment of cash dividends. Indentures relating to other items of long-term debt require maintenance of minimum working capital and tangible net worth and restrict payment of dividends by the subsidiaries. At December 31, 1971, consolidated retained earnings approximating \$6,024,000 are not subject to the more restrictive of these provisions.

NOTE I—CONTINGENT LIABILITIES and COMMITMENTS

A guaranty up to \$250,000 has been given with respect to the bank loan of an affiliated company. The loan amounted to \$250,000 at December 31, 1971.

A commitment to purchase equipment is outstanding in the amount of \$650,900.

NOTE J—PENSION and RETIREMENT PLANS

In addition to statutory requirements of the Canada Pension Plan, contributions for the year to provide retirement benefits for employees amounted to \$187,800. The plans are fully funded and assets exceed amount vested in employees.

NOTE K—REMUNERATION OF DIRECTORS

Total remuneration of directors of the Company, comprising salaries and pension benefits, amounted to \$240,200 for the year.



AUDITOR'S REPORT

TO THE SHAREHOLDERS,
BACM Industries Limited.

We have examined the consolidated financial statement of BACM Industries Limited and subsidiaries for the year ended December 31, 1971. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made a similar examination of the consolidated financial statement for the preceding year.

In our opinion, the accompanying balance sheet and statements of shareholders' equity, income and changes in financial position present fairly the consolidated financial position of BACM Industries Limited and subsidiaries at December 31, 1971, and the consolidated results of their operations, changes in shareholders' equity and changes in financial position for the year then ended, in conformity with generally accepted accounting principles which, except for the change in accounting for land for development as described in Note D, with which we concur, have been applied on a basis consistent with that of the preceding year.

Winnipeg, Manitoba
January 24, 1972.

A handwritten signature in black ink, appearing to read "Ernst & Ernst", is written over the printed name of the firm.

Chartered Accountants



TEN YEAR FINANCIAL SUMMARY

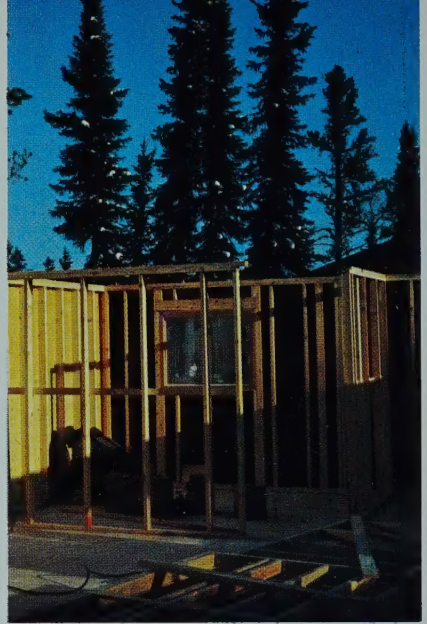
(Per share amounts in dollars—
other amounts in thousands)

	Years Ended December 31			
	1971	1970	1969	1968*
OPERATING RESULTS:				
Net Sales	\$149,106	\$99,669	\$ 104,785	\$ 69,708
Other Income	822	1,738	1,233	1,144
Total Operating Revenues	149,928	101,407	106,018	70,852
Cost of Sales	113,572	73,863	79,342	54,415
Selling, Administrative and General	12,856	11,644	9,550	6,221
Depletion and Depreciation	6,478	5,362	4,831	2,897
Interest	3,050	3,405	2,273	1,823
Total Operating Expenses	135,956	94,274	95,996	65,356
Income Before Income Taxes	13,972	7,133	10,022	5,496
Income Taxes	7,261	3,603	5,522	2,785
Net Income	6,711	3,530	4,500	2,711
FINANCIAL POSITION:				
Current Assets	84,792	65,346	51,481	37,381
Current liabilities	68,384	53,258	37,231	25,934
Working Capital	16,408	12,088	14,250	11,447
Property, Plant & Equipment, Net	46,690	42,104	36,035	28,284
Long-Term Debt	26,829	21,093	17,481	16,453
Deferred Income Taxes.	9,213	7,835	6,386	5,889
Shareholders' Equity	40,509	36,770	33,801	24,240
OTHER INFORMATION:				
Return on Shareholders' Equity	16.6%	10.1%	15.9%	13.8%
Net Income Per Share	3.38	1.87	2.61	1.91
Return on Net Sales	4.5%	3.5%	4.3%	3.9%
Book Value Per Share	20.37	19.47	18.48	14.83
Deferred Income Taxes Per Share	4.63	4.15	3.70	3.60
Number of Shares —End of period	1,988,727	1,888,727	1,828,727	1,634,172
Outstanding —Average	1,988,727	1,886,227	1,724,188	1,417,272
Number of registered Shareholders	119	173	1,158	1,374

*Period of ten months

Years Ended February 28 or 29

1968	1967	1966	1965	1964	1963
\$ 61,153	\$ 52,747	\$ 34,095	\$ 32,150	\$ 26,054	\$ 20,127
482	920	415	605	106	202
61,635	53,667	34,510	32,755	26,160	20,329
50,173	43,901	28,162	27,723	20,934	16,900
4,671	4,227	1,997	1,765	1,741	1,625
1,867	1,689	1,446	1,377	1,164	1,145
1,399	1,168	816	697	574	481
58,110	50,985	32,421	31,562	24,413	20,151
3,525	2,682	2,089	1,193	1,747	178
1,769	1,325	1,051	612	904	116
1,756	1,357	1,038	581	843	62
27,273	27,273	19,649	17,164	15,086	11,592
17,478	19,505	11,966	9,755	12,663	9,410
9,795	7,768	7,683	7,409	2,423	2,182
14,648	13,644	9,787	9,522	8,937	8,118
9,977	10,415	7,152	7,592	3,456	3,755
3,193	2,648	1,616	1,420	1,825	1,239
15,086	13,330	10,936	10,170	7,371	6,689
12.4%	11.2%	9.8%	6.6%	12.0%	0.9%
1.61	1.24	1.01	0.57	0.82	0.06
2.9%	2.6%	3.0%	1.8%	3.2%	0.3%
13.80	12.20	10.68	9.93	7.20	6.53
2.92	2.42	1.58	1.39	1.78	1.21
1,093,172	1,093,172	1,024,212	1,024,212	1,024,212	1,024,212
1,093,172	1,093,172	1,024,212	1,024,212	1,024,212	1,024,212
1,466	1,458	1,534	1,658	1,818	1,765



BACM INDUSTRIES LIMITED

Providing related products and services in British Columbia, Alberta, Saskatchewan and Manitoba, with skills available also to Northwestern Ontario, the Yukon, Northwest Territories, and elsewhere on request.